

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Compliance Case Summaries

ITEM NUMBER: 13

ATTACHMENTS: 2

ACTION:

DATE OF MEETING: October 14, 1999

INFORMATION: X

PRESENTER: Mr. Lee

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| 1. | Stanislaus County | 1 case |
| 2. | San Bernardino County | 1 case |

During June - August 1999 the Compliance Unit completed 12 cases with two cases having findings and requiring adjustments. The executive summaries of these two cases are attached.

Inflated Final Compensation: In Stanislaus County, a district inappropriately reported a total of approximately \$11,120 for unused vacation days for a member in his final compensation period, 1990-1993. This amount was included in the member's monthly pay rate and creditable compensation reported to CalSTRS. The error caused the retired member's retirement allowance to be overpaid by \$171.00 each month since his retirement date of 7-1-93. The net present value in this case amounts to \$24,572.

In San Bernardino County, a district inappropriately reported to CalSTRS a monthly pay rate that included a \$12,000 retirement incentive and a \$6,641.56 payment for unused vacation days for a member in her final year of service ending in retirement. This reporting error caused the member's unmodified retirement allowance to be overstated by \$229.74 per month from her retirement in January 1995. The present value effect was \$23,370.

**Office of Audits
Executive Summary for the Budgets & Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
Stanislaus County**

Period of Compliance Case Review: June, July August 1999

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Correction to contributions	\$ 0	Direct costs (staff	
Retirement allowance, unfunded	\$24,571	Salaries, fringe	
Liability (net present value)		benefits)	\$2,349
Excess post-retirement earnings	\$ 0		
TOTAL DOLLAR EFFECT	\$24,571	Benefit per dollar spent	\$10.46
Unreported Post-Retirement Earnings	\$ 0		

Finding:

Inflated Creditable Compensation: In the member's 3 final compensation years the district converted lump sum vacation money into his creditable compensation, thus causing his retirement benefit to be inflated by approximately \$171.00 each month since July 1, 1993.

Adjustment Complete: The district adjusted the annual creditable compensation in the retired member's 3 final compensation years by a total of \$11,116.36. The district returned the overpaid member contributions to the retired member in the amount of \$889.00. CalSTRS recalculated the retirement benefit and the accrued overpayment and notified the retired member of the correct amount.

**Office of Audits
Executive Summary for the Budgets & Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
San Bernardino County**

Period of Compliance Case Review: June, July, and August 1999

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

<u>Benefit:</u>		<u>Cost:</u>	
Correction to contributions	\$ 0	Direct costs (staff	
Retirement allowance, unfunded	\$23,370	salaries, fringe	
Liability (net present value)		benefits)	\$3,102
Excess post-retirement earnings	\$ 0		
TOTAL DOLLAR EFFECT	\$23,370	Benefit per dollar spent	\$7.53
Unreported Post-Retirement Earnings	\$ 0		

Finding:

Inflated Creditable Compensation: The district inappropriately reported to CalSTRS a monthly pay rate that included a \$12,000 retirement incentive and a \$6,641.56 payment for unused vacation days for a member in her final year of service ending in retirement.. This reporting error caused the member's unmodified retirement allowance to be overstated by \$229.74 per month beginning her retirement in January 1995. The present value effect was \$23,370. This finding was sustained during a subsequent Executive Review.

Adjustment Complete: The District reported the required adjustments, the member's allowance has been reduced, and the \$8,465 overpayment is being collected.